

US FERC Inquiry Seeks To Ensure Key Pwr Plants Can Get Gas (Dow Jones)

By Maya Jackson Randall

WASHINGTON (Dow Jones)--The U.S. Federal Energy Regulatory Commission is examining whether deregulated power markets have the right systems in place to ensure that key natural gas-fired power plants can obtain the gas they need during cold snaps, heat waves or emergency situations.

In an order it issued late Wednesday, FERC said it's concerned that non-profit organizations that oversee the grid in organized power markets don't have the right rate and scheduling schemes to ensure that consumers receive reliable supplies of electricity during extreme weather conditions, when supplies are most crucial.

Thus, FERC has directed the regional power organizations - known more formally as regional transmission organizations (RTOs) or independent system operators (ISOs) - to submit filings to the commission by Jan. 16, 2007, to propose changes that could address the problem.

Alternatively, the power-grid operators can explain why changes are not necessary, FERC said.

RTOs and ISOs manage flows of electricity in competitive electricity markets.

"The commission is concerned that the scheduling practices of independent system operators and regional transmission organizations are not effectively coordinated with the scheduling of natural gas purchase and transportation transactions," the commission said, noting that inadequate coordination may block generators from obtaining gas when pipeline service is constrained or gas prices are volatile.

FERC pointed out that in January 2004, frigid weather in New England resulted in high demand for electricity and natural gas as consumers tried to keep warm.

The spike in electricity use, however, made the acquisition of gas and the shipment of electricity difficult and threatened the ability of the region's power grid operator, ISO New England, to deliver power, FERC said.

Part of the problem could be that key gas-fired power plants may not have firm contracts with pipelines, which means that their delivery service can be interrupted - even in times of high demand for electricity, said FERC. Consequently, electricity generators may only be able to ship power to consumers at extremely high prices.

Additionally, FERC said RTO systems for scheduling pipeline service may pose a problem.

The commission also said that RTO rate schemes may make it more attractive for generators to sell their gas when gas prices are volatile rather than use it to produce electricity.